



2.2

Memorandum

DATE: November 29, 2004
TO: Alan Kapanicas, City Manager of City of Beaumont
FROM: Deb Gunn, Beaumont Early Head Start Coordinator
RE: Grounds Lease Contract

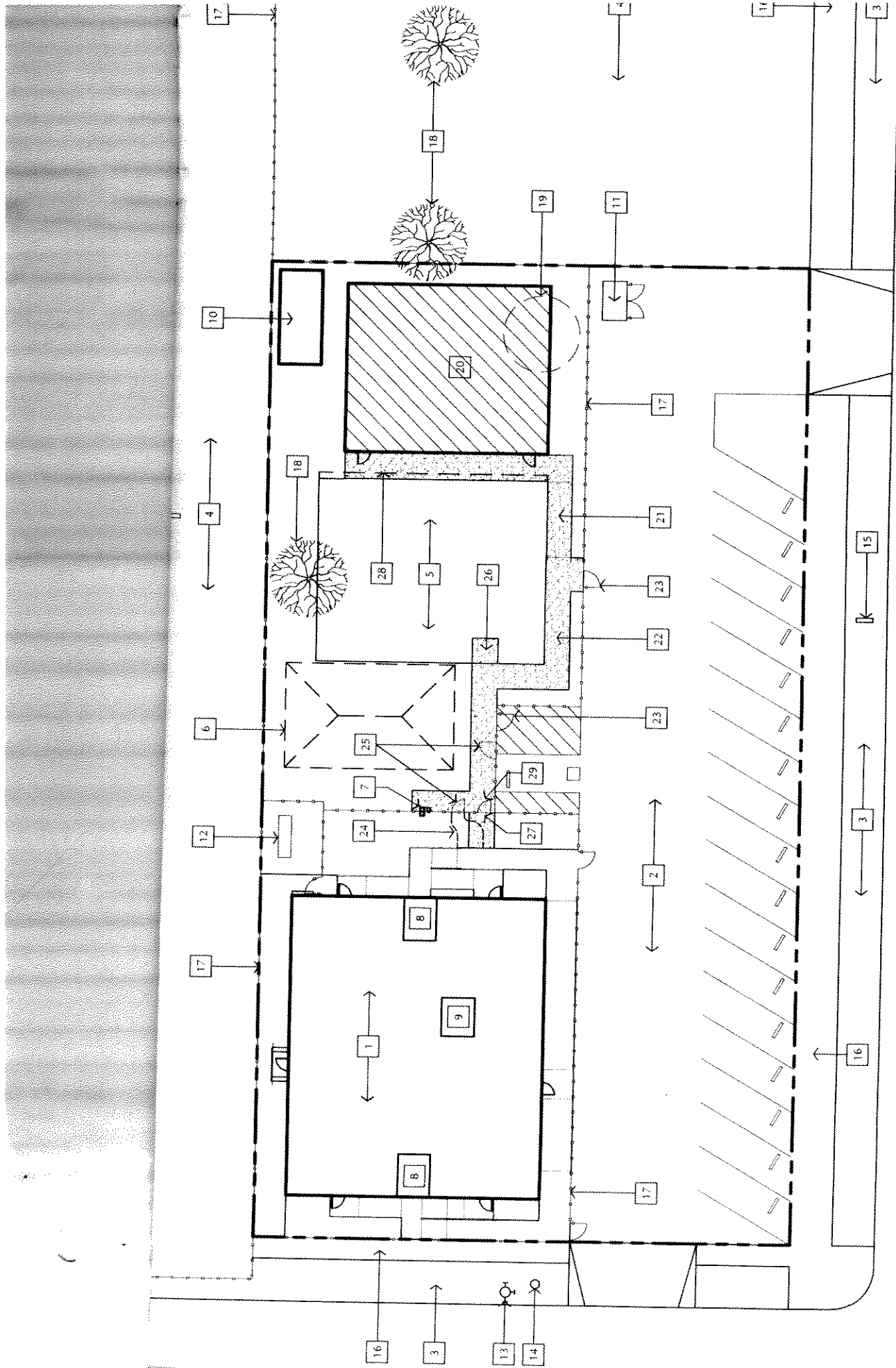
A handwritten signature in dark ink, likely belonging to Deb Gunn, is written over the "FROM:" line of the memorandum.

Please have the Mayor initial off the addendum to the Grounds Lease Contract and return one of the originals to my office at the Riverside County Office of Education Children and Family Services Beaumont Regional Office 1141 Beaumont Avenue, Beaumont, CA 92223.

Thank you!

DG:ka

- 1 EXISTING CLASSROOM BUILDING
- 2 EXISTING PARKING:
(17) STANDARD PARKING STALLS
(1) ACCESSIBLE PARKING STALL
- 3 EXISTING TURF / PARKWAY
- 4 EXISTING ADJACENT PARK
- 5 EXISTING APPARATUS / PLAY AREA
- 6 EXISTING FABRIC SHADE STRUCTURE
- 7 EXISTING DRINKING FOUNTAINS
- 8 EXISTING UNISEX STUDENT RESTROOM
- 9 EXISTING UNISEX STAFF RESTROOM
- 10 EXISTING STORAGE STRUCTURE
- 11 EXISTING MASONRY TRASH ENCLOSURE
- 12 EXISTING ELECTRICAL EQUIPMENT
- 13 EXISTING FIRE HYDRANT
- 14 EXISTING POST INDICATOR VALVE
- 15 EXISTING BACKFLOW DEVICE
- 16 EXISTING SIDEWALK
- 17 EXISTING ORNAMENTAL IRON FENCE
- 18 EXISTING TREES TO REMAIN
- 19 EXISTING TREE TO BE REMOVED
- 20 NEW 40'x48' PORTABLE CLASSROOM BUILDING
- 21 NEW ACCESSIBLE CONCRETE RAMP WITH HANDRAILS
- 22 NEW CONCRETE WALK
- 23 NEW 4' WIDE ORNAMENTAL IRON GATE WITH PANIC HARDWARE
- 24 EXISTING CONCRETE PAVING TO BE REMOVED
- 25 EXISTING GATE TO BE REMOVED
REPLACE OPENING WITH ORNAMENTAL IRON FENCE
- 26 NEW ACCESSIBLE CONCRETE RAMP - NO HANDRAILS
- 27 EXISTING ORNAMENTAL IRON FENCE TO BE REMOVED
- 28 EXISTING CURB TO BE REMOVED



E. 8TH STREET

October 19, 2004

GROUND LEASE

By and Between

THE CITY OF BEAUMONT, a public entity
("Landlord")

and

RIVERSIDE COUNTY OFFICE OF EDUCATION, a public entity
("Tenant")

TABLE OF CONTENTS

	<u>Page</u>
1. Letting; Use; Operation of Tenant's Business	1
1.1 Letting	1
1.2 Use	1
1.3 Operation of Tenant's Business	1
2. Term	2
2.1 Initial Term	2
2.2 Extension Term	2
3. Rent	2
3.1 (Intentionally Omitted)	
3.2 Net Lease	3
3.3 Surrender of Possession	3
4. Landlord's Title	4
5. Tenant's Improvement of the Premises.	4
6. Fixtures	5
7. Utility Charges	5
8. Taxes	5
9. Indemnification	5
10. Insurance	6
10.1 (Intentionally Omitted)	6
10.2 Liability Insurance	6
10.3 Casualty Insurance	8
11. Waiver of Rights in Connection With Damage or Destruction	10
12. Repairs and Restoration	10
12.1 Maintenance by Tenant	10
12.2 Tenant's Duty to Restore	10
12.3 Option to Terminate Lease for Destruction.	11
12.4 Application of Insurance Proceeds	11
13. Hypothecation	12
14. Certification of Lease	12
15. Assignment, Subletting or Sale	12
16. Events of Default; Remedies	13

17.	Hazardous Substance	15
17.1	Definitions	15
17.2	Tenant's Restrictions	15
17.3	Environmental Clean-Up	15
17.4	Indemnity	15
18.	Costs and Attorney's Fees	16
19.	Notices and Place for Payment of Rent	16
20.	Successors	16
21.	Arbitration	16
22.	Miscellaneous Provisions	17
22.1	Relationship of the Parties	17
22.2	Non-Exclusive Remedies	17
22.3	Construction	17
22.4	Severability	17
22.5	Integration/Amendment	17
22.6	Authority	17
22.7	Counterparts	18

EXHIBIT "A" - MAP OF STEWART PARK DEPICTING THE LEASED
PREMISES

GROUND LEASE

THIS GROUND LEASE (the "Lease") is entered into as of the 19th day of June 2001, between the CITY OF BEAUMONT, a public entity ("Landlord"), and RIVERSIDE COUNTY OFFICE OF EDUCATION, a public entity ("Tenant"). This Ground Lease is made with reference to the following facts:

RECITALS

A. Landlord is the owner of certain real property located in the City Beaumont, Riverside County, California, commonly known as Stewart Park, as more particularly depicted on Exhibit "A" attached hereto.

B. Tenant desires to lease a portion of Stewart Park, as depicted on Exhibit "A" and hereafter referred to as the "Premises", from Landlord and Landlord is willing to lease the Premises to Tenant upon the terms and conditions described herein.

The parties therefore agree as follows:

1. Letting; Use; Operation of Tenant's Business.

1.1 Letting. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord hereby leases and lets the Premises to Tenant and Tenant hereby rents the Premises from Landlord.

1.2 Use. The Premises may only be used for the construction and operation of a childcare, vocational and educational training center (hereafter referred to as the "training center").

1.3 Operation of Tenant's Business. Tenant covenants and agrees that it will operate and conduct within the Premises, continuously and uninterruptedly during the term of this Ground Lease, the training center, except while the Premises are untenable by reason of fire or other unavoidable casualty, and that it will at all times keep and maintain within and upon the Premises sufficient trade fixtures and personnel to service and supply the demands and requirements of its clientele. Landlord and Tenant agree that if Tenant fails to continuously and uninterruptedly operate the training center under the terms of this Ground Lease, monetary damages may be inadequate to compensate Landlord. Therefore, Landlord shall have the option to terminate this Ground Lease or seek injunctive relief ordering the Tenant to operate.

2. Term. The "term" of this Ground Lease shall include the Initial Term and (if utilized) the "Extension Term," as described below:

2.1 Initial Term. The Initial Term of this Ground Lease shall commence as of November 1, 2004 (the "Commencement Date") and shall continue thereafter for a period of one (1) year, expiring October 30, 2005.

2.2 Extension Term. Not later than three (3) months before the end of the final year of Initial Term, Tenant may, by written notice to Landlord, elect to extend the term of this Ground Lease on a month-to-month basis for a period expiring on June 30, 2006.

3. Rent. During the Initial Term and (if utilized) the Extension Term, Tenant shall pay to Landlord a base rent ("Base Rent") of \$1.00 per year.

3.1 (Intentionally Omitted)

3.2 Net Lease. Landlord shall have no obligation for payment of any cost, expense or assessment of any kind related to the Premises. All costs, expenses or assessments of every kind against the Premises, or Landlord's or Tenant's interest(s) in the Premises, during the Initial Term and the Extension Term, shall be paid by Tenant.

3.3 Surrender of Possession.

(a) Surrender: At the expiration of the tenancy created hereunder, whether by lapse of time or otherwise, and Tenant shall surrender the Premises broom clean and in the same condition and repair as at the Commencement Date of the Ground Lease, ordinary wear and tear excepted.

(b) Holding Over:

(1) If Tenant holds the Premises after the expiration of the term hereof with the consent of Landlord, expressed or implied, such holding over shall, in the absence of a written agreement on the subject, be deemed to have created a tenancy from month-to-month, terminable on 30 days' written notice by either party to the other, at a minimum monthly rental equal to ten times the average monthly rental paid by Tenant to Landlord during the immediately preceding year, and otherwise subject to all terms of this Ground Lease. Neither the acceptance of rent nor of anything contained in this subparagraph shall be construed as an express or implied consent to such holding over, nor affect Landlord's right to recovery of possession as a consequence of holding over.

(2) If Tenant fails to surrender the Premises upon termination of this Ground Lease, Tenant shall indemnify and hold harmless Landlord from loss or liability resulting from such failure including, without limiting the generality of the foregoing, any claims made by any succeeding tenant arising out of such failure.

4. Landlord's Title. Landlord warrants that Landlord has good and marketable title to the Premises with full right and authority to grant the estate demised herein and to execute and perform all of the terms and conditions of this Ground Lease, and that such title to the Premises is free and clear of all encumbrances, easements, liens, assessments, restrictions, tenancies and other exceptions to title.

Except as specifically provided in this Ground Lease, Tenant is leasing the Premises in its "As Is" condition with all faults and neither Landlord nor anyone acting for or on behalf of Landlord has made any representation, statement or warranty to Tenant concerning the physical aspects and condition of the Premises, compliance with applicable laws or regulations, any dimensions or specification of the Premises, or the permissibility, feasibility, desirability, or convertibility of the Premises for any particular use. In entering into this Ground Lease, Tenant has not relied on any representation, statement or warranty by Landlord, or anyone acting for or on behalf of Landlord, unless specifically stated herein. Tenant's leasing of the Premises is based upon its own inspection and examination thereof, with full knowledge of the physical and environmental aspects and conditions thereof that have been disclosed by such inspection. Tenant assumes the risk that adverse physical conditions may not have been revealed by its inspection.

5. Premises Improvements. Upon the expiration or termination of this Ground Lease, Tenant agrees to peaceably and promptly surrender possession of the Premises to Landlord. Tenant may remove any or all portable, modular buildings at any time during the term, but shall not be obligated to do so. If such portable, modular facilities are not removed within 10 days following the expiration or termination of this Ground Lease, they shall be deemed abandoned and Landlord may dispose of such facilities as it desires without any liability to Tenant. Tenant shall clean the site of any removed facility. The Premises will be returned to Landlord in good condition, broom clean, ordinary wear and tear excepted. The Premises and improvements thereon shall be free and clear of all liens or encumbrances, except those existing as of the commencement of this Ground Lease and those created thereafter by Landlord or anyone claiming by, through or under Landlord.

6. Fixtures. Tenant may install in any improvements on the Premises such fixtures and equipment as Tenant deems desirable, and all of such items shall remain Tenant's personal property whether or not attached to the Premises. Tenant may remove any of such items from the Premises at any time during the term, but shall not be obligated to do so. If such fixtures or equipment are not removed within ten (10) days following the expiration or termination of this Ground Lease, they shall be deemed abandoned and Landlord may dispose of such fixtures and equipment as it desires without any liability to Tenant.

7. Utility Charges. Tenant agrees to pay all charges for electricity, gas, heat, water, sewer, telephone and other utility services which are used on the Premises.

8. Taxes. During the term of this Ground Lease, Tenant shall pay or cause to be paid all taxes levied against Landlord's or Tenant's interest in the Premises and the improvements thereon, including property taxes and special improvement taxes or assessments, prior to delinquency. Tenant shall also pay any supplemental taxes that are assessed, to the extent such supplemental taxes are a result of Tenant's activities on the Premises.

Landlord and Tenant will attempt to obtain a separate tax assessment for the Premises, separate and apart from any other real property owned by Landlord. If necessary, the parties will pursue a boundary line adjustment, parcel map or other procedure sufficient to allow assessment of the Premises separate from any other property owned by Landlord. If such separate assessment is made, Tenant shall pay such taxes directly to the taxing authorities. If bills for taxes on the Premises

and the improvements thereon are received by Landlord, Landlord shall immediately forward such bills to Tenant for payment by Tenant.

9. Indemnification. The Tenant and Landlord agree that Landlord, its employees, agents and officials should, to the extent permitted by law, be fully protected from any loss, injury, damage, claim, lawsuit, cost, expense, attorneys' fees, litigation costs, defense costs, court costs or any other costs arising out of or in any way related to this Ground Lease. Accordingly, the provisions of this indemnity provision are intended by the parties to be interpreted and construed to provide the fullest protection possible under the law to the Landlord. The Tenant acknowledges that Landlord would not enter into this Ground Lease in the absence of the commitment of the Tenant to indemnify and protect Landlord as set forth here. Therefore:

(a) To the full extent permitted by law, the Tenant agrees to indemnify, defend and hold harmless Landlord, including its governing board, administrators, employees, attorneys, agents, representatives, successors and assigns, against all obligations, liabilities or actions, including arbitration proceedings, administrative proceedings, regulatory proceedings, whether threatened or filed, that may be asserted or claimed by any entity as a consequence of or arising out of or in any way attributable actually, allegedly or impliedly, in whole or in part to this Ground Lease, except where, and to the extent that, such injuries or damages arise out of Landlord's sole fault, active negligence or intentional misconduct. Such indemnification shall extend to all damages and costs, including attorney's fees and defense costs and/or any judgment rendered against Landlord. All obligations under this provision are to be paid by the Tenant as incurred by the Landlord.

(b) The Tenant's obligations to indemnify shall not be restricted to any insurance proceeds.

(c) The obligations of the Tenant under this or any other provision of this Ground Lease will not be limited by the provisions of any workers' compensation act or similar act. The Tenant expressly waives its statutory immunity under such statutes or laws as to Landlord, its employees and officials. Tenant agrees to obtain executed indemnity agreements with provisions identical to those set forth here in this Section from each and every subcontractor, or any other person or entity involved by, for, with or on behalf of the Tenant in the performance or subject matter of this Ground Lease. In the event the Tenant fails to obtain such indemnity obligations from others as required here, the Tenant agrees to be fully responsible according to the terms of this Section 9.

(d) Failure of Landlord to monitor compliance with these requirements imposes no additional obligations on Landlord and will in no way act as a waiver of any rights hereunder. This obligation to indemnify and defend Landlord as set forth herein is binding on the successors, assigns, of the Tenant and shall survive the termination of this Ground Lease or this Section 9.

10. Insurance.

10.1 (Intentionally Omitted).

10.2 Liability Insurance.

Commercial General Liability/Umbrella Insurance. Primary insurance of no less than two million dollars (\$2,000,000) per occurrence for all coverages and five million dollars (\$5,000,000) general aggregate shall be provided. Landlord and its employees and agents shall be added as additional insureds. Coverage shall apply on a primary non-contributing basis in relation to any other insurance or self-insurance, primary or excess, available to Landlord or any official, employee or agent of Landlord. Coverage shall not be limited to the vicarious liability or supervisory role of any additional insured. Umbrella Liability Insurance (over primary) shall apply to bodily injury/property damage, personal injury/advertising injury, at a minimum, and shall include a "drop down" provision providing primary coverage above a maximum \$25,000.00 self-insured retention for liability not covered by primary policies but covered by the umbrella policy. Coverage shall be following form to any underlying coverage. Coverage shall be provided on a "pay on behalf" basis, with defense costs payable in addition to policy limits. There shall be no cross liability exclusion. Policies shall have concurrent starting and ending dates.

Business Auto/Umbrella Liability Insurance. Primary coverage shall be provided with limits of no less than two million dollars (\$2,000,000) per accident. Starting and ending dates shall be concurrent. If Tenant owns no autos, a non-owned auto endorsement to the General Liability policy described above is acceptable.

Workers' Compensation/Employer's Liability shall be written on a policy form providing workers' compensation statutory benefits as required by law. Unless otherwise agreed, this policy shall be endorsed to waive any right of subrogation as respects the Landlord, its employees or agents.

Tenant and Landlord further agree as follows:

1. Nothing contained in this Section 10 is to be construed as affecting or altering the legal status of the parties to this Ground Lease. The insurance requirements set forth in this Section 10 are intended to be separate and distinct from any other provision of this Ground Lease and shall be interpreted as such.
2. All insurance coverage and limits provided pursuant to this Ground Lease shall apply to the full extent of the policies involved, available or applicable. Nothing contained in this Ground Lease or any other agreement relating to the Landlord or its operations limits the application of such insurance coverage.
3. Requirements of specific coverage features or limits contained in this Section are not intended as a limitation on coverage, limits or other requirements, or a waiver of any coverage normally provided by any insurance. Specific reference to a given coverage feature is for purposes of clarification only and is not intended by any party to be all inclusive, or to the exclusion of other coverage, or a waiver of any type.
4. For purposes of insurance coverage only, this Ground Lease will be deemed to have been executed immediately upon any party hereto taking any steps that can be deemed to be in furtherance of or towards, performance of this Ground Lease.

5. All general or auto liability insurance coverage provided pursuant to this Ground Lease, or any other agreements pertaining to the performance of this Ground Lease, shall not prohibit Tenant, and Tenant's employees, or agents, from waiving the right of subrogation prior to a loss. Tenant hereby waives all rights of subrogation against Landlord.

6. Unless otherwise approved by Landlord, Tenant's insurance shall be written by insurers authorized to do business in the State of California and with a minimum "Best's" Insurance Guide rating of "A:VII" (or its equivalent). Self-insurance will not be considered to comply with these insurance specifications.

7. In the event any policy of insurance required under this Ground Lease does not comply with these requirements or is canceled and not replaced, Landlord has the right but not the duty to obtain the insurance it deems necessary and any premium paid by Landlord will be promptly reimbursed by Tenant.

8. Tenant agrees to provide evidence of the insurance required herein, satisfactory to Landlord, consisting of certificate(s) of insurance evidencing all of the coverages required and an additional insured endorsement to Tenant's general liability and umbrella liability policies (if any). Certificate(s) are to reflect that the insurer will provide 30 days' notice of any cancellation of coverage. Tenant agrees to require its insurer to modify such certificates to delete any exculpatory wording stating that failure of the insurer to mail written notice of cancellation imposes no obligation, and to delete the word "endeavor" with regard to any notice provisions. Tenant agrees to provide complete copies of policies to Landlord upon request.

9. Tenant shall provide proof that policies of insurance required herein expiring during the term of this Ground Lease have been renewed or replaced with other policies providing at least the same coverage. Such proof will be furnished at least two weeks prior to the expiration of the coverages.

10. Any actual or alleged failure on the part of Landlord or any other additional insured under these requirements to obtain proof of insurance required under this Ground Lease in no way waives any right or remedy of Landlord or any additional insured, in this or any other regard.

11. Tenant agrees to provide immediate notice to Landlord of any claim or loss against Tenant that includes Landlord as a defendant. Landlord assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve Landlord.

10.3 Casualty Insurance.

Tenant shall, at Tenant's own cost and expense, at all times during the term of this Ground Lease, keep all buildings, improvements and other structures on the Premises, as well as any and all additions thereto, Tenant's fixtures and personal property thereon and therein, insured for their full, 100%, insurable value by an insurance company acceptable to Landlord and licensed and authorized to issue such insurance in California against loss or destruction by fire and perils

commonly covered under standard extended coverage endorsement to fire insurance policies in Riverside County, including insurance against sprinkler damage, vandalism and malicious mischief and such other coverages as Landlord may, from time to time, require by notice to Tenant. Any loss payable under such insurance shall be payable to Landlord, Tenant and to any lender under an encumbrance incurred by Tenant herein as their interests may appear. Any proceeds received because of the loss covered by such insurance shall be used and applied in the manner required by Paragraph 12.4, entitled "Application of Insurance Proceeds".

Tenant and Landlord further agree as follows:

a. Nothing contained in this Section 10.3 is to be construed as affecting or altering the legal status of the parties to this Ground Lease. The insurance requirements set forth in this Section are intended to be separate and distinct from any other provision of this Ground Lease and shall be interpreted as such.

b. All insurance coverage and limits provided pursuant to this Ground Lease shall apply to the full extent of the policies involved, available or applicable. Nothing contained in this Ground Lease or any other agreement relating to the Landlord or its operations limits the application of such insurance coverage.

c. Requirements of specific coverage features or limits contained in this Section 10.3 are not intended as a limitation on coverage, limits or other requirements, or a waiver of any coverage normally provided by any insurance. Specific reference to a given coverage feature is for purposes of clarification only and is not intended by any party to be all inclusive, or to the exclusion of other coverage, or a waiver of any type.

d. For purposes of insurance coverage only, this Ground Lease will be deemed to have been executed immediately upon any party hereto taking any steps that can be deemed to be in furtherance of or towards, performance of this Ground Lease.

e. Unless otherwise approved by Landlord, Tenant's insurance shall be written by insurers authorized to do business in the State of California and with a minimum "Best's" Insurance Guide rating of "A:VII" (or its equivalent). Self-insurance will not be considered to comply with these insurance specifications.

f. In the event any policy of insurance required under this Ground Lease does not comply with these requirements or is canceled and not replaced, Landlord has the right but not the duty to obtain the insurance it deems necessary and any premium paid by Landlord will be promptly reimbursed by Tenant.

g. Tenant agrees to provide evidence of the insurance required herein, satisfactory to Landlord, consisting of certificate(s) of insurance evidencing all of the coverages required. The certificate(s) are to reflect that the insurer will provide 30 days' notice of any cancellation of coverage. Tenant agrees to require its insurer to modify such certificates to delete any exculpatory wording stating that failure of the insurer to mail written notice of cancellation imposes

no obligation, and to delete the word "endeavor" with regard to any notice provisions. Tenant agrees to provide complete copies of policies to Landlord upon request.

h. Tenant shall provide proof that policies of insurance required herein expiring during the term of this Ground Lease have been renewed or replaced with other policies providing at least the same coverage. Such proof will be furnished at least two weeks prior to the expiration of the coverages.

i. Any actual or alleged failure on the part of Landlord or any other additional insured under these requirements to obtain proof of insurance required under this Ground Lease in no way waives any right or remedy of Landlord or any additional insured, in this or any other regard.

j. Tenant agrees to provide immediate notice to Landlord of any claim or loss against Tenant that includes Landlord as a defendant. Landlord assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve Landlord.

11. Waiver of Rights in Connection With Damage or Destruction. Landlord and Tenant waive any rights against each other which they might have on account of any loss or damage suffered by Landlord or Tenant, the Premises (including improvements thereon and the contents thereof) or personal property arising from any risk generally covered by fire and extended coverage insurance whether or not such an insurance policy is maintained or there are insurance proceeds sufficient to cover the loss, and Landlord and Tenant shall each procure from their insurers under all policies of fire and extended coverage insurance a waiver of all rights of subrogation against such parties which the insurers might otherwise have under such policies.

12. Repairs and Restoration.

12.1 Maintenance by Tenant: At all times during the term of this Ground Lease, Tenant shall, at Tenant's own cost and expense, keep and maintain the Premises and all improvements now or hereafter on the Premises, as well as all facilities now or hereafter appurtenant to the Premises, in good order and repair and in a safe and clean condition. Furthermore, Tenant shall, at Tenant's own cost and expense, maintain at all times during the term of this Ground Lease, the whole of the Premises as well as any improvements, landscaping or facilities thereon in a clean, sanitary, neat, tidy, orderly and attractive condition.

12.2 Tenant's Duty to Restore: Should at any time during the term of this Ground Lease, any buildings or improvements now or hereafter on the Premises be destroyed in whole or in part by fire, theft, the elements, or any other cause not the fault of Landlord, this Ground Lease shall continue in full force and effect, and Tenant, at Tenant's own cost and expense, shall repair and restore the damaged or destroyed building, buildings, improvement or improvements, according to the original plan thereof or according to such modified plans therefor as shall be approved in writing by Landlord. The work or repair or restoration shall be commenced by Tenant within 120 days after the damage or destruction occurs and shall be completed with due diligence not longer than one year after the work is commenced.

12.3 Option to Terminate Lease for Destruction: Notwithstanding the provisions of the preceding Paragraph 12.2, Tenant shall have the option of terminating this Ground Lease on the last calendar day of any month by giving Landlord at least 90 days' prior written notice of Tenant's intent to do so and by removing at Tenant's own cost and expense, all debris and remains of the damages improvements from the Premises where:

a. Any building or improvements now or hereafter on the Premises are so damaged or destroyed by fire, theft, the elements or any cause not the fault of Tenant or Landlord during the last two years of the term of this Ground Lease that they cannot be repaired and restored as required by Paragraph 12.2 above at a cost not exceeding 35% of the cost of replacing all buildings and improvements if totally destroyed then, immediately preceding the calamity damaging or destroying the damaged buildings or improvements, located on the Premises.

b. Any buildings or improvements now or hereafter on the Premises are so damaged or destroyed by fire, theft, the elements or any cause not the fault of Tenant or Landlord during the last year of the term of this Ground Lease that they cannot be repaired and restored as required by Paragraph 12.2 above at a cost not exceeding 15% of the cost of replacing all buildings and improvements if totally destroyed then, immediately preceding the calamity damaging or destroying the damaged or destroyed buildings or improvements, located on the Premises.

12.4 Application of Insurance Proceeds: Any and all fire or other insurance proceeds that become payable at any time during the term of this Ground Lease because of damage to or destruction of any buildings or improvements on the Premises shall be paid jointly to Tenant and Landlord and applied by Tenant and Landlord toward the cost of repairing and restoring the damaged or destroyed buildings or improvements in the manner required by Paragraph 12.2 above; provided, however, that should Tenant exercise the option given to Tenant by Paragraph 12.3 above, to terminate this Ground Lease because of damage due or destruction of buildings or improvements on the Premises, then, in that event, any and all fire or other insurance proceeds that become payable because of such damage or destruction:

a. Shall be applied first toward the reduction of the unpaid principal balance of the obligation secured and discharging the Premises from any then outstanding encumbrance or encumbrances incurred by Tenant pursuant to this Ground Lease; and

b. Then the balance of the proceeds, if any, shall be paid to Landlord to compensate Landlord, at least in part, for the loss to its fee estate in the damaged or destroyed buildings or improvements.

13. Hypothecation. No hypothecation shall be allowed during the term of this lease.

14. Certification of Lease. Either party may at any time and from time to time, upon not less than twenty (20) days prior notice, request the other party to execute, acknowledge and deliver to the party making such a request a statement in writing certifying (i) that this Ground Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), (ii) the dates to which the rentals and

other charges have been paid, (iii) that the party requesting the certification has performed all of its obligations and is not in default under this Ground Lease (or if there are any defaults under this Ground Lease stating such defaults with particularity), and (iv) such other information as the requesting party shall reasonably request regarding the status of the Lease or the condition of the Premises, it being intended that any such statement delivered pursuant to this Section may be relied upon by a prospective purchaser or mortgagee of the fee or leasehold estate created hereby or by any assignee of any mortgagee of the fee or the leasehold estate created hereby or any interest of Landlord or Tenant therein.

15. Assignment, Subletting or Sale. Tenant may sublet the Premises or any portion thereof or assign this Ground Lease for any lawful purpose. In the event of such assignment, Tenant shall remain liable to Landlord as a primary obligor hereunder for the performance of all the terms, conditions and provisions of this Ground Lease to be performed by Tenant.

In the event Landlord shall sell, convey, transfer, or exchange the Premises, Tenant agrees to recognize and attorn to the purchaser or transferee as the Landlord hereunder and such purchaser or transferee shall accept Tenant's attornment and shall thereafter perform and cause to be performed all obligations of Landlord hereunder both as to the Premises and as to Landlord's underlying property and Landlord shall be and is hereby relieved and released from any liability under any and all of its covenants and obligations pertaining to the Premises which arise out of any act, occurrence or event arising after such sale, conveyance, transfer or exchange. Landlord shall remain liable for all obligations accrued prior to such sale, conveyance, transfer or exchange.

16. Events of Default; Remedies.

16.1 Any one or more of the following events shall constitute an event of default (an "Event of Default") hereunder:

a. Tenant shall fail to pay any rent or other sum of money to Landlord when the same is due, and such failure continues for ten (10) days after Landlord has given Tenant written notice specifying the amount due; provided that a ten percent (10%) late charge shall be assessed and paid by Tenant for any such amount or payment that is not paid when due after Landlord has given two (2) such notices in the same calendar year;

b. Tenant shall fail to perform or observe any other requirement of this Ground Lease on the part of Tenant to be performed or observed, and such failure shall continue for thirty (30) days after written notice thereof from Landlord to Tenant; provided, however, if such default (not including the payment of money) cannot reasonably be cured within such thirty (30) days, Landlord shall not have the right to exercise Landlord's remedies set forth below, so long as Tenant commences to cure such default within such 30-day period and acts with reasonable diligence during and after the expiration of such 30-day period, until the default can reasonably be cured;

c. Tenant shall file a voluntary petition in bankruptcy or a petition or answer seeking a reorganization, arrangement, composition, readjustment, liquidation, dissolution or other relief of the same or different kind under any provisions of the bankruptcy laws or Tenant shall make an assignment for the benefit of creditors;

d. An involuntary petition in bankruptcy against Tenant or petition or answer made by a person other than Tenant seeking a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or other relief against Tenant of the same or different kind under any provision of the bankruptcy laws is filed or if a receiver is appointed having jurisdiction of the business property or assets of Tenant on the Premises, and, in any of such events, if Tenant shall not (a) promptly commence and expeditiously pursue action to dismiss any such involuntary petition or answer or to vacate such receivership; and (b) either obtain dismissal or vacation within sixty (60) days after the filing thereof or provide for payment of any past due rent and provide adequate assurance of payment of future rent as it becomes due hereunder within sixty (60) days after such filing; then, and in any of such events, except as provided below and except as may be provided in the bankruptcy laws of the United States then in effect, Landlord, at its option, shall have the immediate right to reenter the Premises and expel Tenant or any person or persons occupying the same, with or without legal process, and Tenant agrees to peacefully and quietly yield up and surrender the Premises to Landlord; provided, if the Event of Default is that described under subparagraph (a) above and there is a bona fide dispute as to the existence thereof or the amount due and all undisputed amounts are paid, such ten (10) day period specified in paragraph a shall not commence to run until such dispute is settled by final court decree, arbitration or mutual agreement.

16.2 If an Event of Default has occurred and is continuing, Landlord shall have the right to give Tenant notice of Landlord's intention to terminate this Ground Lease on a date specified in such notice; provided, however, that such date of termination shall be at least fifteen (15) days after the date such notice was given. Upon the giving of such notice, the term of this Ground Lease and the estate hereby granted shall expire and terminate on such date of termination as fully and completely and with the same effect as if such date were the date herein fixed for the expiration of the term of this Ground Lease, and all rights of Tenant hereunder shall expire and terminate, but Tenant shall remain liable as provided below.

16.3 If an Event of Default has occurred and is continuing, Landlord shall have the immediate right, whether or not the term of this Ground Lease shall have been terminated pursuant to subparagraph 16.2 above, to reenter and repossess the Premises by summary proceedings, ejectment or by any other legal action Landlord determines to be necessary or desirable and the right to remove all persons and property therefrom. No such reentry or taking of possession of the Premises by Landlord shall be construed as an election by Landlord to terminate the term of this Ground Lease unless a notice of such intention be given to Tenant pursuant to subparagraph 16.2 above, or unless such termination be decreed by a court or other governmental entity of competent jurisdiction.

16.4 Upon the reentry or repossession of the Premises pursuant to subparagraph 16.3 above, whether or not the term of this Ground Lease shall have been terminated pursuant to subparagraph 16.2 above, Landlord shall have the right to relet the Premises for the account of Tenant, for such term or terms and on such conditions and for such uses as Landlord may determine, and Landlord may collect and receive any rents payable by reason of such reletting; provided that Landlord shall use its reasonable efforts to obtain the best rent and terms available thereon.

16.5 No expiration or termination of this Ground Lease pursuant to subparagraph 16.2 above, by operation of law or otherwise, and no reentry or repossession of the Premises pursuant

to subparagraph 16.3 above or otherwise, and no reletting of the Premises pursuant to subparagraph 16.4 above shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such expiration, termination, reentry, repossession or reletting.

16.6 In the event of any expiration or termination of the term of this Ground Lease or reentry or repossession of the Premises by reason of the occurrence of an Event of Default, Tenant will pay to Landlord all Base Rent and other sums required to be paid by Tenant to and including the date of such expiration, termination, reentry or repossession; thereafter, Tenant shall, until the end of what would have been the term of this Ground Lease in the absence of such expiration, termination, reentry or repossession, be liable to Landlord for, and shall pay to Landlord, as liquidated and agreed current damages all Base Rent and other sums which would be payable under this Ground Lease by Tenant in the absence of such expiration, termination, reentry or repossession, and Landlord shall be entitled to recover the same from Tenant on each such day.

16.7 At any time after any such expiration or termination of this Ground Lease or reentry or repossession of the Premises by reason of the occurrence of an Event of Default, whether or not Landlord shall have collected any current damages pursuant to subparagraph 16.6 above, Landlord shall be entitled to recover from Tenant, and Tenant will pay to Landlord on demand, as and for liquidated and agreed final damages for Tenant's default and lieu of all current damages beyond the date of such demand (it being agreed that it would be impracticable or extremely difficult to fix the actual damages), an amount equal to the "worth" at the time of the award of the excess of the Base Rent and other sums owing under this Ground Lease for the balance of the unexpired term over the then fair market rental value for the Premises over the remainder of the term. In calculating "worth" pursuant to this subparagraph, a discount rate of three percent (3%) above the discount rate of the Federal Reserve Bank of San Francisco at the date of calculation shall be used.

17. Hazardous Substance.

17.1 Definitions. The term "Hazardous Substances," as used in this Ground Lease, shall include, without limitation, any pollutants, contaminants, hazardous wastes, toxic substances, petroleum products, or other substances declared to be hazardous or toxic under any applicable state or federal law or regulation now or hereafter enacted or promulgated ("Laws").

17.2 Tenant's Restrictions. Tenant shall not cause or permit to occur: (a) any violation of any Laws now or hereafter enacted, related to environmental conditions on, under, or about the Premises, or arising from Tenant's use or occupancy of the Premises; or (b) the use, generation, release, manufacture, refining, production, processing, storage, or disposal of any Hazardous Substance on, under, or about the Premises, or the transportation to or from the Premises of any Hazardous Substance in violation of any Laws.

17.3 Environmental Clean-Up. Tenant shall, at Tenant's own expense, comply with all Laws regulating the use, generation, storage, transportation, or disposal of Hazardous Substances. Should any governmental agency having jurisdiction over such matters require that a clean-up plan be prepared and that remediation be undertaken because of any deposit, spill, discharge, or other release of Hazardous Substances occurring during the term of this Ground Lease at or from the Premises, or which arises at any time from Tenant's use or occupancy of the Premises, then Tenant shall, at

Tenant's own expense, prepare and submit the required plans and all related bonds and other financial assurances; and Tenant shall carry out all such clean-up plans.

17.4 Indemnity. Tenant shall indemnify, defend, and hold harmless Landlord, its contractors, agents and representatives, and their respective officers, directors, beneficiaries, shareholders, partners, agents, and employees from all fines, suits, procedures, claims, and actions of every kind, and all costs associated therewith (including attorneys' and consultants' fees) arising out of or in any way connected with any deposit, spill, discharge, or other release of Hazardous Substances that occurs during the term of this Ground Lease in violation of any Laws, at or from the Premises, or which arise at any time from Tenant's use or occupancy of the Premises, or from Tenant's breach of its obligations under this Section 17 of this Ground Lease. Tenant's obligations and liabilities under this Section 17 shall survive the expiration of this Ground Lease.

18. Costs and Attorney's Fees. In the event that either party commences a legal proceeding to enforce any of the terms of this Ground Lease, the prevailing party in such action shall have the right to recover reasonable attorneys' fees and costs from the other party, as fixed by the court in the same action.

19. Notices and Place for Payment of Rent. Notices made or given by the parties must be in writing and may be served personally or by depositing the same in the United States mail, postage prepaid, or by another commercially recognized means of delivery, address as follows:

TO LANDLORD: CITY OF BEAUMONT
 c/o City Manager
 550 East Sixth Street
 Beaumont, CA 92223

TO TENANT: RIVERSIDE COUNTY OFFICE OF EDUCATION
 874 Beaumont Avenue
 Beaumont, CA 92223

Notices shall be deemed effective upon receipt thereof. Rent shall be paid to Landlord at the address set forth in this Section. No successor to Landlord's interest shall be entitled to receive rent payments until Tenant shall have been furnished with (i) a letter signed by the grantor of such interest setting forth the name and address of the person entitled to receive such rent and (ii) a photostatic copy of the deed or other instrument by which such interest passed. The person and the place to which notices are to be mailed may be changed by either party by written notice to the other party.

20. Successors. All of the rights and obligations under this Ground Lease shall bind and inure to the benefit of the respective heirs, personal representatives, successors, grantees and assigns of the parties hereto and the respective restrictions, covenants and obligations pertaining to the Premises shall run with the land and shall continue until this Ground Lease is terminated or expires.

21. Arbitration. If the parties so agree, any question or dispute arising under this Ground Lease may be resolved through arbitration. Any such arbitration will be conducted through the office of Judicial Arbitration & Mediation Services, Inc. ("JAMS") located the closest to the Premises, or any similar arbitration firm, panel, or individual upon which the parties may agree. Any such arbitration will be conducted in a manner which preserves to the parties the maximum discovery rights available under California law. The results of the arbitration will be binding upon both parties unless the arbitration award and written findings of fact and ruling disclose a material mistake of fact or law, in which case the arbitration may be challenged in the Riverside County Superior Court.

22. Miscellaneous Provisions.

22.1 Relationship of the Parties. Nothing herein contained shall be deemed or construed by the parties hereto or by any third party as creating the relationship of principal and agent or of partnership or of joint venture between the parties, it being understood and agreed that neither the method or computation of rent nor any other provision contained herein, nor any acts of the Parties hereto, shall be deemed to create any relationship between the Parties other than the relationship of landlord and tenant.

22.2 Non-Exclusive Remedies. The various rights and remedies herein contained and reserved to each of the parties, except as herein otherwise expressly provided, shall not be considered as exclusive of any other right or remedy of such party, but shall be construed as cumulative and shall be in addition to every other remedy now or hereafter existing at law, in equity or by statute. No delay or omission of the right to exercise any power or remedy by either party shall impair any such right, power or remedy or be construed as a waiver of any default of non-performance or an acquiescence therein.

22.3 Construction. This Ground Lease shall be interpreted and construed only by the contents hereof, and there shall be no presumption or standard of construction in favor of or against either Landlord or Tenant. The headings of the articles contained herein are for convenience only and do not define, limit or construe the contents of such articles. When required by context, the singular shall include the plural, and the neuter gender shall include a person, corporation, firm or association.

22.4 Severability. If any provision of this Ground Lease is declared invalid in a court proceeding between the parties, such invalidity shall not invalidate this Ground Lease, and this Ground Lease shall be construed as if the invalid part were not contained herein, and the rights and obligations of the parties shall be construed and enforced accordingly.

22.5 Integration/Amendment. Except as expressly provided elsewhere in this Ground Lease, this Ground Lease is and shall be considered to be the only agreement or understanding between the parties regarding the leasing of the Premises. All negotiations and oral agreements acceptable to both parties have been incorporated herein. It may not be amended or modified by any act or conduct of the parties or by oral agreement, unless reduced to writing and properly executed.

22.6 Authority. Each party executing this Ground Lease has been duly and properly authorized to do so in accordance with the governing documents of such entity.

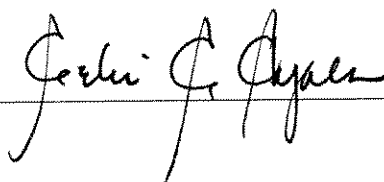
22.7 Counterparts. This Ground Lease may be executed in counterparts and when so executed by both parties, shall become binding upon them and each such counterpart will constitute an original document.

IN WITNESS WHEREOF, this Ground Lease has been executed as of the day and year first above written.

LANDLORD:
CITY OF BEAUMONT

By  _____
Mayor

TENANT:
RIVERSIDE COUNTY OFFICE OF EDUCATION

By  _____

By _____
Secretary

AMENDMENT:

Upon formal approval of the Early Head Start expansion grant by the Administration for Children and Family Services (ACF), the Landlord will grant the Tenant a 10-year lease with a 10-year automatic renewal. This amendment is a requirement for ACF grant approval.



EXHIBIT "A"

MAP OF STEWART PARK DEPICTING THE
LEASED PREMISES